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RUCPDOG/DEPT OF COMMERCE WASHDC  
RUEATRS/DEPT OF TREASURY WASHDC

C O N F I D E N T I A L SECTION 01 OF 02 LAGOS 000490

SENSITIVE  
SIPDIS

DEPT PASS TO USTDA-PAUL MARTIN, EXIM-JRICHTER AND KJACKSON  
DEPT PASS TO USTR-AGAMA  
DEPT PASS TO OGIC  
JOHANNESBURG FOR NAGY  
TREASURY FOR TONY IERONIMO AND ADAM BARCAN  
DOC FOR 3317/ITA/OA/BURRESS AND 3130/USFC/OIO/ANESA/REED

E.O. 12958: DECL: 12/30/2019  
TAGS: [EFIN](#) [ECON](#) [PGOV](#) [NI](#)  
SUBJECT: AMBASSADOR MEETS WITH FIRSTBANK IN LAGOS

Classified By: CG Donna Blair for reasons 1.4 (b & d)

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SUMMARY  
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¶1. (C) FirstBank new CEO Onasanya briefed U.S. Mission on December 21 on the outcomes of the recent Central Bank retreat on banking and economic growth issues. With the audits completed, the banks are now focusing on consolidations and mergers with an emphasis on encouraging foreign banks to invest and freeing up credit for agriculture. Onasanya was hopeful that the Asset Management Company Bill, to manage the toxic assets of the banks, will pass the National Assembly in early 2010. Ambassador noted that President Yar Adua's illness brings with it the expectation for Nigeria to follow their constitutional responsibilities. She also mentioned that American companies are interested in Nigeria but their fear of lack of sanctity of contract, and legislation such as local content and PIB hinders trade and investment. END SUMMARY

¶2. (C) Ambassador Sanders met with First Bank Managing Director Stephan Olabisi Onasanya on December 21 (Econoff was notetaker). Onasanya briefed the Ambassador on the recent banking retreat in Enugu with the Central Bank of Nigeria (CBN) during the weekend of December 12-13. The discussion in Enugu focused on what banking can do to help develop the Nigerian economy, specifically in Agriculture and Manufacturing. There is talent in the Agriculture sector yet no collateral to leverage and therefore no credit is extended. The Land Use Act must be reformed along with other legal reforms to allow the private sector to grow and thrive. Freeing up credit for manufacturers was discussed with Agriculture being the primary sector for bankers to focus on.

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THE WORST IS OVER, MERGERS LIE AHEAD  
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¶3. (C) The Ambassador asked Onasanya whether there were more reforms to come? FirstBank Executive Director Aleck Otti stated that the worst was over. The focus is now on consolidations, including mergers with foreign banks, with all audits having been completed. The bigger the banks the better they can withstand shocks in the future according to Otti. (NOTE: CBN Governor Sanusi has been wary of creating banks that are &too big to fail.8 END NOTE) The eight

banks that did not pass the audit (Afribank, BankPHB, Equatorial Trust, FinBank, Intercontinental, Oceanic, Union Bank, and Wema) will be the first banks on the table. Otti continued by stating that Sanusi,s goal of 15 banks is more speculation than anything else. The Ambassador went on to ask about reports of the new management at the eight banks not doing a good job and actually causing more trouble. Onasanya replied that you must keep things in perspective. &The owners that were kicked out of their banks are not going to go quietly. They will fight to pull down the CBN.8 You must take such reports with &a grain of salt8 Onasanya stated.

14. (C) Onasanya continued in saying that some banks must be absorbed in order to stand on their own. Corporate governance must be strengthened for re-capitalization to work. Otherwise the second tier capital that was put into the eight banks by the CBN will be for naught. As for the banks that scaled the audit, Onasanya wondered whether they could stand alone? He felt that even these banks would want to be absorbed into larger banks. FirstBank is currently looking for deals that will &add value8 according to Onasanya.

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ASSET MANAGEMENT COMPANY BILL  
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15. (C) The Ambassador asked Onasanya whether the Asset Management Bill (AMC) will pass this year. Onasanya shared Sanusi,s comments from the Enugu retreat where Sanusi assured the bankers that the bill is not yet presented in the

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House nor the Senate and still needs to go through the Attorney General,s office. Otti was hopeful that the bill will pass early 2010. Onasanya added that it was imperative to pass the AMC in order for the banks to be merged or bought outright. &The success of the AMC is critical8 according to Onasanya.

16. (C) The Ambassador followed up stating that there were more bills pending and of interest to the United States, including the Petroleum Industry Bill and the Local Content Bill, along with the AMC. In needing executive leadership to pass these bills the Ambassador conveyed her best wishes for the quick recovery of President Yar A,dua and stated her concern for the Nigerian banks that have been at the forefront of the economy. &Where does the sector go from here8 the Ambassador wondered? &How will the banks come out of this going into 2010?8 The Ambassador stated that she has spoken with CBN Governor Sanusi and that agriculture and banking were the two biggest concerns of the Governor.

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POLITICAL IMPACT OF THE PRESIDENT  
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17. (C) Onasanya took the initiative to ask the Ambassador about the political impact of the President being ill for the past 4 weeks. The Ambassador answered that Mission Nigeria is getting mixed information, including that he is doing very badly or currently doing better. The United States is concerned and is talking to all its interlocutors.

The speedy recovery of the President is the top priority for now along with allowing the Constitutional processes to be followed. Onasanya joked if the Ambassador meant the People,s Democratic Party (PDP) Constitution. (NOTE: The PDP is the current ruling party of Nigeria END NOTE) The Ambassador assured Onasanya that she meant the Constitution of the Federal Government of Nigeria as that is the rule of law document of the land. She followed up by stating that the United State,s policy position was that responsibility and authority follows the constitution. The Ambassador noted that the USG is telling all interlocutors that they must follow the constitution and that the United States is

counting on Nigeria to do the right thing.

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WHERE ARE THE AMERICAN BANKS?  
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18. (C) Onasanya continued his questions by asking why American banks had disappeared from Nigeria? Chase bank used to be in Nigeria but no more, why was this? The Ambassador countered by explaining that the fears of the U.S. businesses were higher than their interests. This was not to say that there is no interest in Nigeria. There is ample interest. To buttress her argument the Ambassador cited the lack of transparency and sanctity of contract. Without giving their names, she gave the example of two U.S. companies this year in Nigeria that have had major sanctity of contract issues and are not being treated in a transparent way. This does not encourage more investment. Couple this issue with the recent Petroleum Industry Bill (PIB) and Local Content Bill before the National Assembly makes the environment not inviting for U.S. businesses as private industry talks to private industry<sup>8</sup> at the end of the day, stated the Ambassador. Since August the PIB has gotten better due to ongoing dialogue between the oil companies and the GON. If the AMC is passed that will possibly attract the interests of some U.S. Banks to come to Nigeria.  
BLAIR